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Japan to join Pacific trade deal talks

By Jonathan Soble in Tokyo

Shinzo Abe, Japan's prime minister, has committed to joining talks on a proposed trade deal with the US and 10 other countries, in a big step for a nation where rice farmers and other groups have long blocked efforts to lower import barriers.

Japan would be the second-largest economy in the Trans-Pacific Partnership, and its inclusion would enhance the impact of a deal that backers hope will set standards for trade across the Asia-Pacific region – including perhaps ultimately China, which is not part of the TPP talks.

Barack Obama, US president, has put trade agreements including TPP at the heart of his second-term agenda, and negotiators hope to seal a deal by September.

“This is our last chance,” Mr Abe said during a nationally televised news conference. “If we miss it, Japan will be left behind in the effort to create global rules.”

Japanese manufacturing groups had urged Mr Abe to join the talks, as had proponents of domestic economic reform, who see trade competition as a way to invigorate inefficient local industries.

TPP is one of a number of strategic initiatives promised by Mr Abe, who was elected in December on a promise to drag Japan's economy out of years of sluggish growth and deflation. So far, he has ordered Y10tn (\$104bn) of new stimulus spending and engineered a shift to more aggressive monetary policy at the [Bank of Japan](#).

Structural changes such as the TPP are intended to have a deeper and more long-lasting impact than fiscal and monetary expansion, however, by improving Japan's underlying potential for growth. Some economists believe joining TPP would add 0.5 per cent to Japan's annual economic output.

Many members of Mr Abe's own Liberal Democratic Party oppose joining the TPP talks. The party, which has long relied on strong rural support, has demanded that Mr Abe secure exemptions for five kinds of agricultural goods: rice, wheat, beef and pork, dairy products and sugar.

Mr Abe promised to “firmly protect Japan's national characteristics”, which he said included “beautiful” rice fields and “safe, delicious food”. But keeping agriculture protections untouched will be difficult under a deal that is envisioned as leaving fewer loopholes than other agreements, including the World Trade Organisation system.

An official from one country already involved in the TPP talks said “substantial” concessions would be expected from Japan, including on agriculture. Japanese farmers are among the most protected in the world, with half of average incomes coming from subsidies and price supports, according to the OECD.

Unlike the US and Europe, which have moved away from high import duties in favour of direct government farm subsidies, Japan still relies on trade restrictions as its main mechanism for agricultural protection – making farm policy a bigger obstacle to trade deals than it is elsewhere.

Mr Abe is taking a risk by committing to TPP talks before an election for the upper house of parliament this summer. But other potential members – Australia, Chile, Malaysia and Vietnam

are among them – have been negotiating for two years, and there is little time left for Japan to influence the final shape of a deal.

Channelling Franklin Roosevelt, Mr Abe said: “The biggest thing we have to fear is that, out of an excess of fear, we end up doing nothing.”

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